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April 27, 2004

Mr. Franklin D. Raines
Chairman and CEO
Fannie Mae
3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

Dear Mr. Raines:

Pursuant to its authority and responsibility under rules X and XI of the Rules of the House of Representatives for the 108th Congress, the Committee on Financial Services is continuing its oversight of the government sponsored enterprises Fannie Mae and Freddie Mac. In particular, the Committee is aware of recent news reports which indicated that Fannie Mae entered into particular transactions in calendar year 2003 in which certain financial institutions were given consideration and incentives to sell loans to Fannie Mae for the purpose of assisting it in meeting its affordable housing goals.

In light of the unusual nature of these transactions, I am requesting the following information, as well as an index of all records provided. Unless otherwise specified, and to the extent applicable, each question below refers to the affordable housing goals for calendar year 2003.

Questions

1. For each transaction, or any combination of transactions with a third party, valued at \$1 billion or more, entered into in whole, or in part, for the purpose of meeting the affordable housing goals, please respond to the following:
 - a. How many of these transactions did Fannie Mae enter into? Please provide a description of each transaction completed, including all of the terms and conditions of each transaction.
 - b. Did Fannie Mae receive formal or informal advice or opinions from law firms, accounting firms, investments bankers, or other third parties with respect to the structure of each of these transactions? Please provide a list of all entities that rendered such advice or opinion.

2. Does Fannie Mae provide bonuses, stock options, or other compensation to its employees based upon achievement of the affordable housing goals? Please describe any such incentives in detail, including an example of how the program works.
3. Does Fannie Mae employ or contract with third parties in order to identify and purchase loans that comply with the affordable housing goals? Please provide a list of these entities and a description of the contract between Fannie Mae and the third parties, including how they are compensated.
4. Did Fannie Mae communicate with the Department of Housing and Urban Development (HUD) or the Office of Federal Housing Enterprise Oversight (OFHEO) regarding its efforts to meet the affordable housing goals? Please provide copies of records relating to all such communications.
5. Has Fannie Mae analyzed the affordable housing goals and planned its efforts to meet them? Please provide copies of any records relating to any such analysis.
6. Fannie Mae has a special relationship with some entities known as "Designated Underwriter Servicers" (DUS).
 - a. What are the names of the members of the DUS program? When did each member enter the program? Why did each of these entities receive this designation?
 - b. What are the specific criteria needed to become a member of the DUS program? Has an entity ever had its DUS membership revoked?
 - c. How does the DUS program operate? Please provide a case study of the relationship between Fannie Mae and a member of the DUS program.
 - d. What are the direct or indirect benefits received by Fannie Mae from members of the DUS program? What are the advantages received from being a member of the DUS program.
 - e. Does Fannie Mae make commitments to members of the DUS program that they will transact a particular dollar volume or percentage of business per year?
 - f. Does Fannie Mae pay fees to DUS members in order to guarantee that they will do a particular volume of business with it?

Requested Records

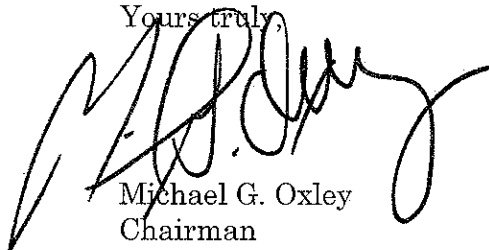
7. For each transaction listed in response to question No. 1 above, provide the following information:
 - a. Copies of any contracts relating to these transactions, including any amendments or modifications made to these transactions.

- b. Records describing the accounting treatment for each transaction and the economic or business purpose justification.
 - c. Records describing the relevant generally accepted accounting principles (GAAP) standards used to account for each transaction.
8. Please provide copies of the minutes from any Board of Directors Meeting in which efforts to meet the affordable housing goals were discussed.
9. Please provide a list of the name, title, business address and telephone number of each member of Fannie Mae's management team responsible for negotiating the transactions described in question No. 1.
10. Provide records of any analysis prepared describing the impact that increased interest rate risk will have on Fannie Mae as a result of it taking on a greater number of fixed rate mortgages.

Please provide your responses and copies of any requested records to me at the Committee's offices at 2129 Rayburn House Office Building not later than close of business on May 14, 2004. The terms "records" and "relating" or "relate" should be interpreted as described in the attachment to this letter.

If you have any further questions, please contact the Committee at 202-225-7502.

Yours truly,

A handwritten signature in black ink, appearing to read "M. G. Oxley", is written over the typed name and title.

Michael G. Oxley
Chairman

Attachment

Attachment

1. The term "records" is to be construed in the broadest sense and shall mean any written or graphic material, however produced or reproduced, of any kind or description, consisting of the original and any non-identical copy (whether different from the original because of notes made on or attached to such copy or otherwise) and drafts and both sides thereof, whether printed or recorded electronically or magnetically or stored in any type of data bank, including, but not limited to, the following: correspondence, memoranda, records, summaries of personal conversations or interviews, minutes or records of meetings or conferences, opinions or reports of consultants, projections, statistical statements, drafts, contracts, agreements, purchase orders, invoices, confirmations, telegraphs, telexes, agendas, books, notes, pamphlets, periodicals, reports, studies, evaluations, opinions, logs, diaries, desk calendars, appointment books, tape recordings, video recordings, e-mails, voice mails, computer tapes, or other computer stored matter, magnetic tapes, microfilm, microfiche, punch cards, all other records kept by electronic, photographic, or mechanical means, charts, photographs, notebooks, drawings, plans, inter-office communications, intra-office and intra-departmental communications, transcripts, checks and canceled checks, bank statements, ledgers, books, records or statements of accounts, and papers and things similar to any of the foregoing, however denominated.
2. The terms "relating" or "relate" as to any given subject means anything that constitutes, contains, embodies, identifies, deals with, or is in any manner whatsoever pertinent to that subject, including but not limited to records concerning the preparation of other records.

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CHRIS BELL, TX

BERNARD SANDERS, VT

April 27, 2004

Mr. Richard F. Syron
Chairman and CEO
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102-3110

Dear Mr. Syron:

Pursuant to its authority and responsibility under rules X and XI of the Rules of the House of Representatives for the 108th Congress, the Committee on Financial Services is continuing its oversight of the government sponsored enterprises Freddie Mac and Fannie Mae. In particular, the Committee is aware of recent news reports which indicated that Freddie Mac entered into particular transactions in calendar year 2003 in which certain financial institutions were given consideration and incentives to sell loans to Freddie Mac for the purpose of assisting it in meeting its affordable housing goals.

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5. Has Freddie Mac analyzed the affordable housing goals and planned its efforts to meet them? Please provide copies of any records relating to any such analysis.

Requested Records

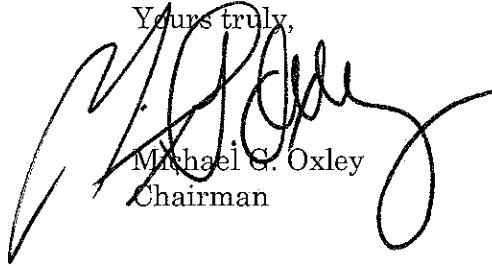
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7. Please provide copies of the minutes from any Board of Directors Meeting in which efforts to meet the affordable housing goals were discussed.
8. Please provide a list of the name, title, business address and telephone number of each member of Freddie Mac's management team responsible for negotiating the transactions described in question No. 1.
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Mr. Richard F. Syron
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If you have any further questions, please contact the Committee at 202-225-7502.

Yours truly,

A handwritten signature in black ink, appearing to read "M. Oxley", is written over the typed name and title.

Michael G. Oxley
Chairman

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